ASSOCIATION INDEPENDENT RETIREES
ACN 102 164 385
.....working for Australians in Retirement

Committee Secretary
Senate Standing Committees on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600
community.affairs.sen@aph.gov.au; seniorclerk.committees.sen@aph.gov.au

Dear Sir

SENATE INQUIRY INTO THE VALUE AND AFFORDABILITY OF PRIVATE HEALTH INSURANCE AND OUT-OF-POCKET MEDICAL COSTS

This Submission by the **Association of Independent Retirees (A.I.R.)** addresses a number of issues of particular concern to fully and partly self-funded retirees and which affect their lives and living standards. While mindful of the current fiscal position, A.I.R. submits these recommendations and supporting rationales to seek to address some anomalies and inequities for this particular sector of the community.

The recommendations in this submission, which have been developed in consultation with A.I.R. members across Australia, are realistic measures by which assistance can be provided via the Federal Health System. A.I.R. is well placed to inform retirees about Government policies affecting their future lifestyle. In this context, we would be happy to consult with you further regarding policies and programs impacting on self-funded retirees and the broader retiree sector.

I hope that this submission will be accepted as positive and supportive of Government policy objectives.

Should you require any further specific information in relation to this submission, please contact Sue Hart, Executive Officer on 02 6290 2599
Email aircbr@bigpond.com.

Yours sincerely

Margaret Walsh
AIR Policy & Advocacy – Health Representative

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Introduction

This submission reflects the views, concerns and issues of partly and fully self-funded retirees who have experience in managing their affairs during retirement. As such they have a clear understanding of the issues that affect their capacity to live a fulfilling retirement and provide pragmatic and realistic advice relating to their current situation.
Successive Federal Governments have encouraged through their policies a position where Australians can ultimately self fund their retirement. Yet, in the eyes of many, they do little to support this philosophy for those who are self-funding, either in part or in full, their retirement income stream and everyday expenses. Despite this policy position of encouraging self-funding of retirement, Governments have in practice consistently failed to fully support this group by restricting or taking benefits away.

As at 30 June 2013 the Australian Bureau of Statistics has estimated the residential population in Australia for those 65 years and over as being 3,337,600 persons. Of these, some 50% either partly or fully self fund their retirement.

About A.I.R

The Association of Independent Retirees (A.I.R.) Limited is the national peak body representing partly and fully self-funded retirees. A.I.R. works to advance and protect the interests and independent lifestyle of Australians in retirement. A.I.R. seeks to secure recognition and equity for Australians who, through their diligence and careful management, fully or partly self-fund their own retirement needs

Founded in 1990, A.I.R. is a not-for-profit, non-political, volunteer organisation that is focused on matters affecting the standard of living, health and welfare of retired and partly-retired people. As well as carrying out research and gathering information that will assist its members in maximising their life opportunities, A.I.R. is committed to educating the wider community (including political parties at all levels of Government) in regard to the views and concerns of self-funded retirees. We focus mainly on Financial, Health and Aged Care matters.

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The terms of reference for the inquiry are:

a. private and public hospital costs and the interaction between the private and public hospital systems including private patients in public hospitals and any impact on waiting lists;

The increasing level of the gap between private insurance cover and high private hospital costs is forcing older people on low incomes to drop the private insurance and depend on the public system. The many additional items such as therapy, medications, dressings, equipment etc. not covered in the private system add a large extra cost to consumers and is often the reason for choosing public services. While some people do have private insurance, if admitted to a public hospital often choose not to disclose this due to the fear of "gap" charges.

The current requirement for Doctors to request bulk billing for some services e.g. pathology is not a suitable system as Doctors are not fully aware and should not need to know or make judgement on their patient's financial situation.

b. the effect of co-payments and medical gaps on financial and health outcomes;

As for the previous point - people are choosing the public system and cancelling private insurance cover. Some are ignoring tests and investigations and some medications due to the increasing "gap" charges.

c. private health insurance product design including product exclusions and benefit levels, including rebate consistency and public disclosure requirements;

Our members and Australians 65 years and over have great concern regarding the additional financial impact with the reducing rebate situation. Significant increases in health insurance premiums are a disaster for all retirees. These create a financial dilemma for many retirees who feel they are compelled to maintain their private heath cover for peace of mind, to be able to access the specialist of their choice and use a private hospital and not have to rely on the overloaded public hospital system especially when necessary for non-emergency procedures.

Private Health Insurance is seen by many, who have made contributions over their lifetime, as essential in their later years. However there is the further issue as the actual annual % increase is considerably higher for all senior Australia due to the federal government in 2013 deciding it would only increase the rebate by CPI.
The aged related and means tested rebate for those on the base tier in 2013 was 35% for those 65 years and over and for those 70 year and over of 40%. In April 2016 the rebate in 3 years had dropped from 35% to 31.256% for the 12 months from 1 April 2016 and for those aged 70+ years it has dropped 40% to 35.722%. This has resulted in 3 years of premium increases well above that % increase for other Australians.

From 1 April 2017 seniors have the 5% increase in their premium plus an estimated additional increase in their premium in the vicinity of 2% due to the reducing of the rebate % rate with a current annual CPI of 1.35% resulting in an 7%+ increase rather than the government agreed 5% premium increase.

Our federal 2017/2018 Pre Budget Submission (PBS) raised this again and recommended to the government that that the Health Insurance rebate that was introduced in 2013 for those

over 65 and those over 70 be restored and the % rebates for this group of senior Australians be reintroduced in full. What is most distressing is that these rebates were originally introduced by the government with the stated objective to help support and encourage retirees to continue with their Private Health Insurance and not simply rely on the overloaded Public Hospital system.

We also recommended in that PBS:

***Recommendation 4:** The PBS Safety Net threshold for single people be adjusted so that they are not disadvantaged in comparison with couples or families.*

Single and widowed retirees continue to be discriminated against with the current threshold level of the Medicare and Pharmaceutical Benefits Scheme (PBS) Safety Net and with the upper threshold value for singles to receive the Commonwealth Senior Health Card (CSHC).

A.I.R. believes that Safety Net concessions should be available on an equitable basis and the Medicare and PBS Safety Net thresholds for single and widowed retirees should be set at 65% of the couples / families threshold level or the % difference between the threshold income limit to receive the Age Pension for a single person and a couple.

This recommendation is proposed to address a significant inequity between single people and couples/families. A single person needs to have the same value of medical prescriptions as a couple or family before becoming eligible for the Safety Net rebate. This is grossly unfair and inequitable and a change should be made to reflect the difference between the current upper income threshold value to receive the Age Pension which for a single person is $22,805/year and $34,382/year for a couple (ie 66.3% difference).

d. the use and sharing of membership and related health data;

A.I.R. is supportive of a national shared electronic health record system given the clinical advantages of better access to patient health information and the sharing of this information across all healthcare providers within the sector which would be a significant advantage to seniors. We strongly support and encourage progress with PCEHR - e health - MY Health as a valuable tool for retirees to manage their health records. We support changes in the eHealth area by making the My Health Record an opt-out model so that everyone is automatically included unless they choose to opt out. Most retirees we talk to agree with the proposal but to not bother to make changes hence the "opt in" system does not work. Older people have more problems with their memory and more health issues to remember so the shared health record is an idea way to assist with easy access anywhere in the world to their up to date records.

All health professionals should be forced to use the record for all patients - "no record – no pay". Many at present to know nothing about it or claim their "systems" are not compatible.

e. the take-up rates of private health insurance, including as they relate to the Medicare levy surcharge and Lifetime Health Cover loading;

We are now hearing that many retirees in the critical age group feel the government is using this rebate reduction to force then to drop their Private Health Insurance they have contributed over their lifetime and are distressed as Private Health Insurance is considered as essential in one's later years.

f. the relevance and consistency of standards, including those relating to informed financial consent for medical practitioners, private health insurance providers and private hospitals;

We support consistency and strict monitoring and updating of all standards across all levels and types of health care provision

g. medical services delivery methods, including health care in homes and other models;.

We support development of a variety of health care delivery methods and structural change through the establishment of Primary Health Networks must be accelerated and further developed in all parts of the community. Health care homes are a way for older people to feel safer and that they are able to receive a more personal type of care by professionals based in their local area who are able to develop a closer more personal relationship.

h. the role and function of:
    1. medical pricing schedules, including the Medicare Benefits Schedule, the Australian Medical Association fee schedule and private health insurers' fee schedules,

Needs to be transparent and easy to understand

    2. the Australian Prudential Regulation Authority (APRA) in regulating private health insurers, and

Any regulation is supported and strong monitoring recommended

    3. the Department of Health and the Private Health Insurance Ombudsman in regulating private health insurers and private hospital operators;

Any regulation is supported and strong monitoring recommended. The role of the ombudsman needs to be promoted to all consumers.

i. the current government incentives for private health;

There appear to be NO current incentives for people to take out private insurance. Unless there are better rewards especially in the way of "gap" payment cover, restoration of Health Insurance rebates and no restricted increases in health insurance premiums more and more people will continue to opt out.

Government incentives should be provided for all specialists to bulk bill Age Pensioners and CSHC holders as is provided to GPs.

j. the operation of relevant legislative and regulatory instruments; and

Needs regular review and monitoring

k. any other related matter.

Australia's Medicare system is a high quality, universal health care supported by Private Health Insurance, the Pharmaceutical Benefits Scheme and the National Medicines Policy and is probably the world's best universal Medicare system. However, can this be sustained?

The system seems to be failing and A.I.R. wants to see a commitment to a fundamental rethink of the central funding mechanisms for Australia's health system in both the short and long term to control the rapidly increasing costs while maintaining an effective and efficient universal Medicare system in Australia.

*Scrap the **CPI indexation of Health Insurance rebates** and reinstate the age and income based % rebates for senior Australians. The previous Government introduced a stratagem of setting the 2013 monetary rebate as the basis for calculating the annual rebate amount based on CPI rather than the actual % increase in premiums for Australians who are 65 and over. The effect of this is to annually reduce the rebate entitlement for some people until it is phased out. History has shown that the premium % increase approved by Government has been well above that of the CPI % and the effect is that the cost of Private Health Insurance for older Australians is pushed well above that of the agreed premium increase. This hidden method of adding cost to the premium for this group of the community is neither transparent nor fair and specifically and unfairly attacks Australians who are 65 years or older. This should be immediately scrapped and the % rebate for older Australians reintroduced in full.*

***Medicare Rebate for GPs**. The freeze on the Medicare Rebate for GPs until 2020 should be lifted immediately and brought up to date to prevent doctors being forced to pass on costs to their patients through new or high co-payments. The announcement in the 2016 Budget extended the freeze in place since 2014 and is predicted to increase the cost of a GP visit by $10 to $20.*

***PBS Safety Net Threshold/CSHC eligibility**: The discrimination and financial impact on single retirees caused by the PBS Safety Net threshold for single individuals should immediately be changed and replaced with a more fair and equitable threshold value of 65% of the couples / families threshold level or be changed to the same % difference between the threshold income limit for the age pension for a single person and the threshold for a couple.*

*Similarly **eligibility for the Commonwealth Seniors Health Card (CSHC)** for single retirees should be set at the % difference between the threshold income limit to receive the Age Pension for a single person and a couple.*

Single and widowed retirees continue to be discriminated against with the current threshold level of the Medicare and Pharmaceutical Benefits Scheme (PBS) Safety Net and with the upper threshold value for singles to receive the CSHC.

A.I.R. considers that both these thresholds should be revised and reset to more equitably reflect the difference between the threshold income limit to receive the Age Pension for a single person and a couple.

***A fundamental rethink of the funding mechanisms for health care in Australia**. This is urgently needed to address the gaps and dysfunction in our $140 billion a year health arrangements to maintain the long term viability of the health care system, and to ensure adequate, equitable health care for all Australians. The health care areas in need of reform are:*

- *Primary Health Care and improving care for people with complex and chronic conditions;*
- *Modernising Medicare and the Medical Benefits Schedule;*
- *Private Health Insurance; and reducing out of pocket expenses.*
- *The previously announced health reform agenda around mental health services,*

All political parties should agree a bi-partisan approach to encourage consumers to maintain their health insurance cover, and address spiralling out of pocket healthcare expenses which

account for over 17% of health expenditure and deter people from seeking treatment and getting the medicines that they are prescribed. The 2014 Budget measure to increase the PBS co-payment and the number of prescriptions required before the safety net comes into effect should be scrapped as they particularly impact on those on fixed incomes and whose incomes are dependent on circumstances beyond their control. Government must put in place measures to reverse the rapidly increasing out of pocket expenses for general and specialist medical services, and address the continuing increase in the difference between the scheduled fee and the fee charged to retired consumers.